

IN THE MATTER OF FACT-FINDING

BETWEEN)
)
CHICKASAW COUNTY, IOWA,)
)
) PUBLIC EMPLOYER,)
AND)
)
INTERNATIONAL UNION OF)
OPERATING ENGINEERS, LOCAL 234,)
)
)
EMPLOYEE ORGANIZATION.)

Hugh J. Perry, Fact-finder

Recommendations issued:
February 24, 2005

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RELATIONS BOARD

APPEARANCES:

FOR CHICKASAW COUNTY:
Jack Lipovac, HR One-Source

FOR IUOE LOCAL 234:
MacDonald Smith, Attorney
Kevin Holzhauser, IUOE Local 234

BACKGROUND

IUOE Local 234 represents a bargaining unit of 22 employees in the Chickasaw County secondary road department. The parties are completing their first contract bargained under the Iowa Public Employment Relations Act. This year they have resolved most issues for the contract to take effect on July 1, 2005. The two unresolved issues, Wages and Insurance, the parties submit to statutory Fact-finding. There are 4 other bargaining units in the County. None had settled at the time of this hearing which was held on February 21, 2005 at the Chickasaw County Courthouse in New Hampton. The parties agree on a group of counties for use in making comparisons under the PERA. They are: Allamakee, Buchanan, Butler, Clayton, Fayette, Floyd, Franklin, Grundy, Hancock, Hardin, Howard, Mitchell, Winnebago, Worth and Wright. All are fairly close in population to Chickasaw and are also located in Northeast Iowa.

IMPASSE ISSUES

The Impasse Issues before the fact-finder are: **Wages** and **Insurance**.

CURRENT CONTRACT

Wages: There are two classifications in the contract, Equipment Operator and Mechanic. Both are paid at the rate of \$14.45/hour.

Insurance: The County has a self insured health insurance program for its employees. It is a PPO plan and provides for annual deductibles of \$500.00 for single insurance and \$1,000.00 for the family plan. Maximum annual out of pocket expenses are \$1,500.00 for single coverage and \$3,000.00 for the family insurance. The County pays the entire premium for an employee. It pays \$568.00 per month toward a family plan and one-half of any premium in excess of this amount. The employees taking family insurance pay the other half. The current cost of the family plan is \$1005.00 per month. Accordingly, employees who take the family plan (16 out of 22) pay \$218.00 per month for this benefit and the County pays \$787.00 per month. The insurance contract runs from January 1 to December 31st. Premium increases are generally made known in November for the next insurance year. Accordingly rate increases which will effect the County and these employees won't be known until well into their new contract. For the current contract the insurance premiums increased 15% on January 1st, 2005.

PROPOSALS OF THE PARTIES

UNION PROPOSALS:

Wages: The Union proposes that these employees' wages be increased by \$.50/hour effective July 1, 2005 and by an additional \$.50/hour on January 1, 2006. In support of its Wage position the Union advances a number of arguments. First, these employees are below the average hourly base wage rate of the comparable counties by \$.50 per hour. Second, when figuring the hourly base wage less the employees' cost of insurance figured at \$1.26 per hour (\$218.00 per month X 12 months ÷ 2080 hours) the employees are \$.36 below average. The CPI is currently 3.3%. These employees would need a \$.476 increase just to keep up with inflation. To just stay even with what comparison counties are doing with wages as of July 1, 2005, these employees would need an increase of \$.445/hour. Finally, to prevent an insurance premium increase on January 1, 2006 from eating up any increase in wages for these employees, a \$.50.00 per hour increase is proposed on that date. The Union notes that last year these employees were required to pay an additional \$.38/hour toward the cost of their health insurance. While a \$.54/hour increase was negotiated and took place on July 1, 2004 it was actually an effective \$.35/hour increase because of the requirement that these employees contribute more toward the premium cost of their health insurance. The Union contends that its wage proposal is justified and "right in the ball park".

Insurance: The Union proposes that the current insurance plan continue with the following modification: The Employer shall pay 80% of the family premium for Health and Major Medical Group Insurance Plan. The Union argues that this proposal will reduce the amount of any mid contract insurance increases for these employees and protect the value of employee's annual wage increase. The Union noted that had this language been in effect prior to January 1, 2005 then these employees taking family insurance would be paying \$1.16/hour toward this benefit or \$201.00/month rather than the actual \$1.26/hour and \$218.00/month. The current language is causing the erosion of any increased wages due to health insurance premium increases.

COUNTY PROPOSALS:

Wages: The County proposes that these employees' wages be increased by \$.15/hour effective July 1, 2005. The County contends that such an increase when combined with its insurance benefit will provide these employees with a fair and equitable benefit package. The County notes that while the hourly rate for Chickasaw County employees ranks near the bottom of the comparison group, the overall compensation jumps dramatically when the base hourly rate is added to the dollars paid per hour by the County toward the monthly cost of health insurance. The County advanced data which indicated that the average insurance cost per hour paid employees in the comparable counties was \$4.04 versus \$4.54 in Chickasaw County ($\$787.00 \times 12 \div 2080 = \$4.54/\text{hour}$). The average hourly wage in the comparable counties is \$14.96. When the average employer paid insurance cost of \$4.04 is added to this number, the total is \$19.00/hour. This compares to similar figures in the County of $\$14.45 + \4.54 or a total of \$18.99 per hour. In other words, these employees wages and benefits are right at average for the comparable counties.

Insurance: The County is proposing three changes to its health insurance plan. All were suggested as potential cost saving measures by the County's insurance plan administrator. The proposals are attached to these recommendations. The County did not provide any specific information about cost savings or how these changes would impact on individual employees. They were proposed as potential cost saving measures at the recommendation of the plan administrator.

The County advanced much data from a number of sources which indicated generally that the cost of health insurance is dramatically increasing and that these employees pay less than most for their insurance benefit. The County's data provided both national and Iowa insurance information and included both public and private employees. The national survey, performed by the Kaiser Family Foundation, indicated that nationally, on average, employers pay 78% of health care coverage costs and employees pay 22%. In 2004 23% of the companies decreased benefits and 93% of the companies review their health care plans annually. The average worker pays \$47.00 per month for single premiums and \$222 per month toward family insurance. The County used a study of Iowa insurance performed by David Lind and Associates in 2003. That study which included both public and private employers and employees indicated that 67.6% of employers and employees shared in paying additional premium costs, that 30.1% of employers reduced insurance benefits to contain costs, that 15.3% of employers absorbed the increased cost, and that the average PPO in network deductibles were \$473 per employee and \$1,022 for family, that PPO maximum out of pocket expense was \$1,522 for single and \$3,049 for family, that average PPO employee contribution was \$48.72 for single and \$259.58 for family. With respect to the comparable counties the County maintains that these employees enjoy an excellent health insurance benefit. It notes that the average paid by the other counties was \$700 per month compared to \$787 in Chickasaw County or \$4.04 per hour for their employees insurance compared to \$4.54 paid by the County. The average amount of family premium paid by employees in other counties is \$239 per month compared to \$218 per month here. The County contends that all of this data supports the conclusion that the County is providing an excellent benefit to these employees at a greater cost to it than is paid by these other comparable employers. Further, the County notes that the language requiring the parties to equally share in premium increases beyond the threshold of \$568 per month was voluntarily agreed to by the parties

for the current contract. All other county employees are governed by this same insurance requirement. The Union is proposing a substantial departure from this concept. If its proposal were implemented, the employees would only be required to pay 20% of any increase compared to the present 50%. Such a fundamental change in this important benefit should be negotiated by the parties.

DISCUSSION AND RECOMMENDATIONS

Insurance - As is becoming increasingly common in negotiations, health insurance has become the major impasse issue. Both employers and employees are becoming increasingly burdened with skyrocketing health insurance costs. The increased cost of this benefit is wreaking havoc on employers' budgets and eroding wage gains made by employees. The Union is seeking to insulate these employees from double digit insurance premium increases. The language in the contract now requires that employees and the County share equally in any premium increase. This language was voluntarily negotiated by the parties. It is the same that governs all other County employees. The data suggests that the 15% increase last year ate into the wage gains made by these employees. At the same time, the County's cost of providing this benefit increased. The data provided suggests that this employer pays something above average toward the cost of its employees' health insurance. The County is asking for some changes to the insurance plan which I would characterize as substantive. Yet it provides no specifics as to cost savings or details of how such changes would impact these employees. Under these facts, I am reluctant to recommend the proposal of either party to change the health insurance language. I commend to them a mutual dialogue with the goal of obtaining the best possible insurance plan while moderating premium increases.

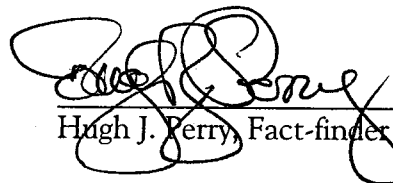
Wages - The data suggest that a wage increase here should be something greater than that proposed by the County. The \$.50/.50 proposed by the Union has some appeal, but would be substantially in excess of what other similar employees are settling for this bargaining year. I recommend that a \$.52 per hour wage increase be implemented on July 1, 2005. Such an adjustment would be equitable. Such an increase is in line with what other comparable counties are providing with respect to wage adjustments and reflects the possibility that these employees may have to again equally share increased health insurance costs with the County.

SUMMARY OF RECOMMENDATIONS

Insurance - No change in Article 21. Current plan to continue in all respects.

Wages - An increase of \$.52/hour effective July 1, 2005

Signed this 24th day of February, 2005



Hugh J. Perry, Fact-finder

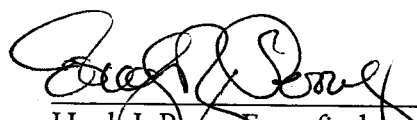
CERTIFICATE OF SERVICE

I certify that on the 24th day of February, 2005, I served the foregoing Fact-finding Recommendations upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Jack Lipovac
HR One Source
5619 NW 86th Street Suite 600
Johnston, Iowa 50131

MacDonald Smith
Attorney At Law
P.O. Box 1194
Sioux City, Iowa 51102

I further certify that on the 24th day of February, 2005, I will submit these recommendations for filing by mailing them to the Iowa Public Employment Relations Board, 510 East 12th Street Suite 1B Des Moines, Iowa 50319.



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